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FIXED ASSET SYSTEM (FAS)

CAPITAL ASSET ACQUISITIONS

In this chapter:

- ✓ Policies and procedures for asset acquisitions
- ✓ Data elements and system controls
- ✓ Transaction accounting for monetary and non-monetary acquisitions
- ✓ Accounting for assets acquired in a current year
- ✓ Prior year adjustments
- ✓ Data edits and system controls for asset acquisitions
- ✓ Key reports related to asset acquisitions

This chapter is written for fiscal accounting personnel.

INTRODUCTION

Under GASB 34, fixed assets have been redefined as capital assets. For financial reporting purposes, capital assets include the previously recorded fixed assets as well as infrastructure, works of art and historical treasures (AHT), permanent easements, and intangibles (copyrights, patents, etc.) that have a useful life extending beyond a single reporting period.

The Office of the State Controller (SCO) administers the Fixed Asset System (FAS). Generally Accepted Accounting Principles (GAAP), the State of Idaho Fiscal Policy Advisory Committee (FPAC), and the State Department of Administration - Division of Risk Management govern the accounting for fixed or capital assets.

FAS is designed to track the financial history of capitalized assets for GAAP reporting, and provide the minimum requirements for the development and operation of an agency property inventory system in accordance with Idaho Code 67-5746.

ACQUISITIONS - OVERVIEW

An acquisition is the addition of a capital asset to an agency's pool of capital assets. In the fixed asset system (FAS), assets are tracked as separate items. Most acquisitions are new purchases, but can also be acquired by receiving a gift (a donation), by entering into a lease agreement, by self-constructing an item (construction in progress), by receiving a seized item, by making a trade-in, or receiving a transfer from another fund or agency. These various transactions are either monetary or non-monetary transactions.

ACCOUNTING OBJECTIVES

Acquisition transactions accomplish the following accounting objectives:

1. To capitalize ancillary costs when applicable.
2. To record the following in the STARS General Ledger:
 - The historical cost or fair market value at the time of acquisition, for all assets over the statewide capitalization amount determined by FPAC.
 - Statewide accumulated depreciation and depreciation expense.
3. To record the following in FAS:
 - The historical cost or fair market value (for donated or seized assets) at the time of acquisition, for all assets over the statewide mandatory inventorial amount determined by the Department of Administration.
 - The non-financial, descriptive data regarding a new asset to facilitate inventory tracking, risk management insurance data, and statewide reporting.
 - The statewide accumulated depreciation and agency accumulated depreciation.

MONETARY ACQUISITION

To qualify as a monetary acquisition, the *majority* of the expenditure to acquire the asset occurs in the current fiscal year. The best example is a purchase, where cash is used as the medium of exchange for a unit of value. Ancillary cost may also be associated with the acquisition and may be capitalized as an increase to the asset's value.

GASB Statement 34 requires assets acquired by donation be recorded as revenue in the year of donation. Therefore, donations are also considered to be monetary acquisitions for financial statement purposes.

NON-MONETARY ACQUISITION

Non-monetary acquisitions are assets acquired without current fiscal year expenditure. Except for ancillary costs, no *cash* is expended to acquire the asset. A non-monetary item is usually stated in '*older*' dollars, and therefore requires direct entry in to FAS. A non-monetary acquisition is any financial statement item that is not classified as a monetary acquisition.

CURRENT YEAR ACQUISITION

In both governmental and proprietary fund types, an acquisition by purchase is the simplest type. The amount paid to a vendor for the acquisition of an asset in STARS can systematically post to the FAS Hold File (S032). The transaction made to a vendor in STARS will process in the following general ledger (GL) accounts:

STARS General Ledger – Current Year Asset Acquisition

Purchase of capital asset:	Debit – GL	Credit – GL
Expenditures	4200	
Cash		1003

[Click here for more information on the STARS to FAS Extract Process](#)

Current year acquisitions can be entered using FAS Data Entry Screen 33 (S033) or FAS Data Entry Screen 35 (S035). The programming in FAS will help determine which assets are statewide capitalized.

Statewide capitalized assets have a **Capitalization Indicator** (CI) equal to 'S'. All assets with a CI = 'S' are considered reportable in the States Comprehensive Annual Financial Report (CAFR).

Statewide capitalized assets report in the general ledgers based on asset class. The acquisition of statewide capitalized assets in the current year will process in the following STARS GLs:

STARS General Ledger – Current Year Asset Acquisition

Only Asset Records with a Capitalization indicator (CI) 'S'		
Asset:	Debit – GL	Credit – GL
Land	1701	
Building	1710	
Improvements other than Building	1730	
Machinery and Equipment	1750	
Equity:		
GAAP Expense		4600

Assets not meeting the statewide capitalized asset test only report in FAS as agency inventory.

PRIOR YEAR ACQUISITION

To qualify as a prior year acquisition, any expenditure associated with the asset acquisition has to have been recognized and closed to equity during the States fiscal year end process. For financial statement purposes, the acquisition of an asset from a previous period is recorded as a prior period adjustment. The two common reasons for prior year adjustments are to correct an error or to add an asset never recorded.

Prior year adjustment transactions post to equity in the general ledger.

Prior year adjustments can only be entered using FAS Data Entry Screen 35 (S035). All prior year adjustment transactions, regardless of asset value, require SCO release.

Depending on asset class, the acquisition of *statewide reportable* prior year assets will process in the following STARS general ledger (GL) accounts:

STARS General Ledger – Prior Year Asset Acquisition

Only Asset Records with a Capitalization indicator (CI) ‘S’

Asset:	Debit – GL	Credit – GL
Land	1701	
Building	1710	
Improvements other than Building	1730	
Machinery and Equipment	1740	
Equity:		
Investment in Capital Asset		3002

DATA ELEMENTS, INDICATORS, AND CONTROLS

Several data elements and their indicators are required to post an acquisition to the FAS Property file. [Click here for a complete list of data element definitions.](#)

ASSET IDENTIFICATION (PROPERTY NUMBERS)

Immediately upon receipt and acceptance, all inventorial capital assets of the State will be tagged, when practical, with pre-numbered State of Idaho Property Tags affixed in a readily identifiable location. Land and other assets that cannot be reasonably tagged are excluded from the tagging requirement; however, they are assigned a property number for tracking in the system.

ACQUISITION METHODS

In FAS, an acquisition method indicator records how the asset was acquired. The following table describes the indicators for the acquisition method data element:

Indicator	Description
N	New Purchase Property acquired by purchase in a fiscal period. The most common acquisition method.
D	New Donation Property received by an individual or non-state entity. New property. Usually, not previously owned or used.
E	Escheat Property reverted to the state. Occurs rarely.
F	Federal Excess Personal property of the Federal Government on loan to the State. The State does not have ownership. Property is usually recorded in FAS for inventory and insurance purposes only.

Indicator	Description	
G	Used Donation	Property received by an individual or non-state entity. Usually, previously owned or used (second-hand).
I	Interagency Transfer in	Property transferred from one fund or State of Idaho agency to another fund or State of Idaho agency.
L	Capitalized Lease	Property under contract where substantially all benefits and risks inherent in ownership of the property transfer to the State.
O	Operating Lease	Property under contract, but not owned by the State. Property is usually recorded in FAS for inventory and insurance purposes only.
P	Federal Surplus	Personal property no longer needed by the federal government. Property may be donated to the State or acquired for a fee. The State will ultimately have ownership.
S	Seizure	Property confiscated by legal authority.
T	Traded In	Property acquired by giving in part or in-whole property or goods as payment. Occurs rarely.
U	Used Purchase	Property previously used or owned (second-hand).
X	Other	Property not described by other acquisition indicators. Occurs rarely.

Under the new standard, governmental fund assets are shown in the government wide statement, but are excluded in the governmental fund statement. Capital assets acquired by governmental funds are tracked separately from proprietary funds. To do this, the State will use fund 0700 for governmental funds and the actual fund for proprietary funds.

MATERIALITY THRESHOLDS

Assets can be classified as 'statewide capitalized' or as 'agency inventory.' To be classified as statewide capitalized, the asset must meet a materiality threshold and be owned by the State.

The State has established materiality thresholds to determine whether an asset is:

- Capitalized
- Inventoried
- Expensed

Only **capitalized assets** are reported in the State's financial statements. Inventory assets with a value of \$2,000 or more are required by policy to be recorded in an asset management system, and are not reported in the State's financial reports.

STATEWIDE CAPITALIZED ASSETS

The State Controller's Office (SCO) reports capital assets in the States Comprehensive Annual Financial Report (CAFR). The Fiscal Policy Advisory Committee (FPAC) established policies to account for statewide capitalized assets. Currently, assets valued at \$5,000 or more meet the materiality test to classify as a statewide reportable asset in the CAFR. The second test of ownership will be discussed later in this chapter.

[Click here for a more information on statewide reportable assets](#), or refer to the FPAC policies from the SCO website.

INVENTORY ASSETS

In FAS, an asset valued less than \$5,000 is considered agency inventory.

Idaho Code, Section 67-5746, requires each agency to maintain an inventory of capital assets in accordance with requirements set by the Department of Administration. Those requirements include listing assets whose life exceeds two years and whose costs exceed a designated amount. Since the inception of FAS (1997), the Department has increased the designated amount from \$300 to \$2000.

Per Idaho Code 67-5746, agency personal property is to be physically counted or verified at least annually. Personal property includes furniture, equipment, etc., with a cost of \$2,000 or more per item, high pilferage items, and other sensitive items.

At the option of each agency's management, capital assets may be defined and recorded at values less than \$2,000.

OWNERSHIP

Ownership is the second test used to determine if an asset is statewide reportable. Keep in mind that owning the asset is not a requirement when recording acquisitions or dispositions of capital assets.

The following is a summary of ownership as it's defined in the FPAC Capital Asset policy:

...the benefits of the asset need to flow and be under the control (for the most part) of the State. For instance, a county could build a road and then turn it over to the State to maintain and manage. Although the county had not relinquished title, the State would record it as its asset. The most typical situations for the State are federally owned assets. If the State has the use of the asset and responsibility for it, the State records the asset for CAFR purposes, except in the case of land. For land to be recorded as the State's asset, title must pass to the State. The concept of use rather than ownership also ties into assets qualifying as capital leases. One of the criteria for a capital lease is that the State would have the asset for 75% of its useful life. Ownership (title) does not necessarily transfer to the State. The State may return the asset at the end of the lease and the asset should be removed from the State's financial records.

[Click here for a more information on statewide reportable assets](#), or refer to the FPAC policies from the SCO website.

FAS uses the following one-character indicators (Ownership Codes) to record the ownership of assets:

Indicator	Description	
A	State Agency Owned	Assets valued \$5,000 or more are statewide reportable. FAS will generate transactions to STARS.
C	Combined Ownership	Assets valued \$5,000 or more are statewide reportable. FAS will generate transactions to STARS.
F	Federally Owned	Assets valued \$5,000 or more are statewide reportable. FAS will generate transactions to STARS.
E	Endowment Property	Assets valued \$5,000 or more are statewide reportable. FAS will generate transactions to STARS.
G	State Ownership – Possible Federal Claim	Assets valued \$5,000 or more are statewide reportable. FAS will generate transactions to STARS.
N	Non-State Agency	FAS will not generate transactions to STARS.
L	Leased Property	FAS will not generate transactions to STARS.
O	Other State Agency Owned	Assets valued \$5,000 or more are statewide reportable. FAS will generate transactions to STARS.
X	Federal Title – Non Reportable	FAS will not generate transactions to STARS.

CAPITALIZATION INDICATOR

The ownership code helps to determine the capitalization indicator (CI). The CI is required to post an acquisition. It controls whether or not transactions that are processed in FAS are sent to STARS general ledgers. The one-character indicators are:

Indicator	Description	FAS Sends Transactions to STARS General Ledger
S	Statewide Reportable	Yes
A	Agency Depreciation Reportable	No
I	Inventory	No

The CI is a financial-controlled element and cannot be updated on the Property File. The CI can only be changed using transaction codes.

DEPRECIATION

FAS processes monthly depreciation for active statewide capital assets and inventorial assets posted to the Property File. Assets in the **Hold File** will not be included in the depreciation process.

The deprecation process includes calculating depreciation based on cost, capitalization threshold, depreciation method, salvage value, useful life, and in-service date.

The capitalization threshold for depreciation is:

Cost > \$5000 Statewide Capitalized

< \$5000 Optional Agency Capitalized Threshold

STATEWIDE DEPRECIATION

The State depreciates all depreciable capitalized assets. Depreciation expense is recorded as a direct expense of the fund and function (budget unit). Except for collections (e.g., libraries) depreciation is calculated and recorded for all depreciable capitalized assets using the straight-line method:

$$\text{Depreciation} = \frac{\text{Cost} - \text{Salvage Value}}{\text{Useful Life}}$$

AGENCY DEPRECIATION

FAS processes depreciation on active assets only. Agencies have the option to depreciate their assets using a different materiality threshold and a different depreciation method. A capitalization threshold for depreciation can be set at a value less than \$5,000. The depreciation calculations for assets meeting the threshold will post to the agency accumulated depreciation financial field on the Property File.

Agency accumulated depreciation is only reported in FAS and is never sent to STARS.

FAS can calculate depreciation using three methods. Agencies have the option of selecting a depreciation method other than the straight-line method. Some agencies want to accelerate their depreciation. The two alternative accelerated methods available for agencies are double declining and sum-of-the-years-digits.

[Click here for a more information on depreciation calculations](#)

ACCOUNTING FOR MONETARY ACQUISITIONS

With our multiple systems and purposes, it is important to understand the accounting impact of the purchasing process, especially with regards to current year purchases and prior year purchases. The following sections will define current and prior year purchases, and the transaction codes to use for proper accounting.

At year-end closing, the financial statement impact will be:

Record the asset at FMV plus ancillary cost:

Asset	\$35,000
Cash	\$10,000
GAAP Revenue	\$25,000

CURRENT YEAR PURCHASE

A current year purchase occurs when you use cash as a medium of exchange for a unit of value.

STARS TRANSACTION CODES

The expenditure alone will not book the asset in the STARS Capital Asset general ledger. Normally, capital assets must process through FAS, which generates transactions to update the capital asset general ledger in STARS.

Most assets are purchased with the following STARS transaction codes:

Transaction Code	Title
230	RECORD A EXPENDITURE VOUCHER NOT PREVIOUSLY ENCUMBERED
236	RECORD A EXPENDITURE VOUCHER PREVIOUSLY ENCUMBERED
240	RECORD DIRECT PMT OF INTERAGENCY BILLING NOT PREV ENC.
241	DIRECT PMT OF INTERAGENCY BILLING PREV ENCUMBERED

CAPITALIZING 5000 AND 6000 SUBOBJECTS

Assets can be purchased from capital outlay or operating subobjects. The system edits on STARS TC 230/236 and most 6000 series capital outlay subobjects will require a property and component number on the transaction.

However, a TC 230/236 and a 5000 series operating expenditure subobject, and some 6000 capital outlay subobjects will *not* require a property and component number, unless an **F*** is entered in the **capitalization indicator** (CI) field on the STARS data entry screen.

FAS looks at either the STARS transaction code in combination with the subobject code or the capitalization indicator to determine the FAS transactions code. If the **Capitalization Indicator (CI)** is entered, you will need to enter a property and component number on the transaction.

***F** - This indicator overrides the subobject and the transaction code lookups in STARS and defaults to FAS TC A04 - RECORD THE PURCHASE OF MACHINERY & EQUIP - FROM STARS.

The CI in STARS allows for the option of reporting and tracking assets purchased from operating expenditures in FAS. Once these transactions are extracted to the Hold File, they may have to be changed on the FAS Data Entry Screen to reflect the proper transactions code and asset class.

In addition to having operating expenditures automatically sent to FAS, the user also has the option to enter any *current year* asset directly into FAS using data entry screen 35.

FAS FUNDING SOURCES

When recording the purchase in STARS, a property and component number is required, and the core asset information is extracted to the FAS Hold File with transaction codes A01-A04 RECORD THE PURCHASE OF AN ASSET - FROM STARS to continue processing. The transaction code normally reflects the asset class. For example, a FAS TC A04 would reflect the acquisition of machinery and equipment, an asset class 4.

The FAS Transaction codes A01-A04 will maintain the original expenditure funding information that was entered in STARS. FAS retains the funding sources on the funding source screen and on the optional funding source screen.

The tables show which funding source elements are supported on each funding source screen.

Funding Source Screen	Funding Source Elements
FAS FUNDING SOURCE SCREEN (F7)	FUND / DT BUDGET UNIT
Fund detail is supported for proprietary funds only on FAS generated transactions.	

Funding Source Screen	Funding Source Elements
FAS OPTIONAL FUNDING SOURCE SCREEN (F8)	PCA INDEX GRANT/PH PROJECT/PH

Assets can be purchased from governmental funds, proprietary funds, or a combination of both. Depending on the fund type, FAS will generate either a STARS governmental fund transaction code, or a proprietary fund transaction code to record the asset in the appropriate STARS general ledgers.

Multiple-funded assets will be reported on a percent of the total asset cost. For example, an asset costing \$9,000 has the following allocations reported to STARS:

FUND	DT	BUDGET UNIT	AMOUNT	PERCENTAGE
0001		ABCD	3,000	33%
0348		AAAA	4,000	45%
0450	24	CCCC	2,000	22%
*Rounded to the nearest percent			\$9,000	100%

All transaction activity to STARS will be allocated based on the funding source percentage.

FAS GENERATED TO STARS ACCOUNTING TRANSACTIONS

FAS generates and sends accounting transactions to STARS for statewide capitalized assets only. Statewide capitalized assets have a capitalization indicator (CI) of S on the Property File.

The following table illustrates the transaction crosswalk from FAS to STARS for statewide capitalized assets.

FAS GENERATED TO STARS ACCOUNTING TRANSACTIONS DETAIL FOR ACQUISITIONS – CURRENT YEAR PURCHASE <i>For Statewide Capitalized Assets Only</i>									
Note: FAS Control Report DAFR4581 and DAFR4582 Support This Detail									
FAS					STARS General Ledger & Operating File				
TC		FUND	DT	C I	TC	FUND	DT	GL-DR	GL-CR
S33	S35								
A01	AP1	Governmental	Detail	S	8GD	0700		1701	4600
A02	AP2	Governmental	Detail	S	8GD	0700		1710	4600
A03	AP3	Governmental	Detail	S	8GD	0700		1730	4600
A04	AP4	Governmental	Detail	S	8GD	0700		1740	4600
A01	AP1	Proprietary	Detail	S	8FD	Proprietary	Detail	1701	4600
A02	AP2	Proprietary	Detail	S	8FD	Proprietary	Detail	1710	4600
A03	AP3	Proprietary	Detail	S	8FD	Proprietary	Detail	1730	4600
A04	AP4	Proprietary	Detail	S	8FD	Proprietary	Detail	1740	4600
Transactions processed from the Hold File use data entry screen S33 .									
FAS transactions directly entered in FAS use data entry screen S35 .									

The FAS generated transaction code for governmental funds is 8GD DEBIT ASSET & CREDIT GAAP EXPENSE -0700. The 8GD transaction will generate a transaction that will update fund 0700 in STARS. These transactions will *not* post to the fund detail.

The FAS generated transaction code for proprietary funds is 8FD DEBIT ASSET & CREDIT GAAP EXPENSE. The 8FD will generate a transaction that will update to the applicable expending proprietary fund in STARS. These transactions will post to the fund detail.

NON-STATEWIDE CAPITALIZED ASSETS

Assets with a capitalization indicator (CI) of **A** (agency) or **I** (inventory) are classified as non-statewide capitalized assets. No accounting transactions will be sent to STARS for update to the general ledger.

DONATIONS

ACCOUNTING TRANSACTION

Record the Acquisition of an Asset by Donation – Revenue is recognized:

Asset

Revenue

DISCUSSION OF THE PROCESSES

Assets may be acquired through donations. Donations are voluntary, non-exchange transactions given to the State by individuals or non-state entities. Donated assets must be reported at the estimated **fair market value*** at the time of acquisition. (Assets acquired from one agency to another will be treated as a transfer. See the [Assets Transfer](#) section of this document for additional information.)

***Fair market value** is the amount at which the asset could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Estimated fair value at acquisition may be calculated from manufacturers' catalogs, or price quotes in periodicals, recent sales of comparable asset, or other reliable information. Professional assistance may be helpful, but is not required. (GASB 34 Implementation Guide I, Q28)

The one exception to recording and capitalizing a donation is for certain works of art and historical treasures (AHT). Capitalizing these assets is optional if **all** of the following conditions are met:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for, and preserved,
- Subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections, and
- Not capitalized as of June 30, 1999 (Collections capitalized at June 30, 1999, should remain capitalized and all additions to those collections should be capitalized, even if they meet the conditions for exemption from capitalization. GASB 34, paragraph 27)

Art and historical treasures must be reported in a CAFR closing package regardless of the estimated value (this is used in a Note to the financial statement). These assets do not depreciate,

which is handled in FAS by setting the useful life to zero (edits will force when recording the asset). GASB and SCO encourage capitalizing AHT. However, GASB guidance does allow that an entity can opt to not capitalize AHT if the above specific conditions are met.

Donated capital assets should be booked directly into FAS at their estimated FMV (fair-market value) plus any necessary **ancillary cost*** at the time of acquisition. (For more information on accounting for substantive ancillary costs, see the Statement of Position section of this document.) GASB 34 requires that capital assets acquired by donation be recorded as revenue in the year of acquisition.

***Ancillary Costs (Excerpt from FPAC)**

Costs, in addition to purchase or construction costs, related to placing a capital asset into its intended state of operation. Normally, ancillary costs are included in the cost of a capital asset. However, minor ancillary costs may be expensed.

Ancillary costs include the following:

- For Buildings and Improvements Other Than Buildings
- Professional fees of architects, attorneys, appraisers, financial advisors, and similar fees; damage claims; costs of fixtures permanently attached to a building; insurance premiums, interest expense (for proprietary fund assets), and related costs incurred during construction; and other expenditures/expenses necessary to place the asset into its intended state of operation.
- For Land
- Legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, site preparation costs, costs related to demolition of unwanted structures, and other expenditures/expenses necessary to place the asset into its intended state of operation.
- For Machinery, Equipment, & Other
- Transportation charges, installation costs, and any other normal and necessary expenditures/expenses required to place the asset into its intended state of operation.
- For Infrastructure
- Landscaping, curbs, gutters, sidewalks, noise abatement walls, and any other necessary expenditures/expenses to place the asset into its intended state of operation. (Note: For CAFR purposes only the Idaho Transportation Department (ITD) will be using the Infrastructure class.) All other agencies will report infrastructure-like assets under the Improvements Other Than Buildings class.

Donation transactions are entered directly into FAS data entry screen 35 using FAS TCs A11-A14 – RECORD THE ACQUISITION BY DONATION. A current date must be entered in the ADT Date (acquisition/disposition/transfer date), and the date the asset is available for use in the INSERV Date (in-service date).

The ADT AMT (acquisition/disposition/transfer amount on the data entry screen becomes the original amount on the FAS Property File record 40 screen) should be for the estimated fair-market value of the asset plus any ancillary costs at the time of the donation. The agency should use its best judgment to determine the fund or combination of funds to record the asset.

As a guideline, agencies could use funds that meet any of the following criteria:

- Funds have use of the asset
- Funds pay for maintenance/insurance, etc. for the asset
- Funds used if the asset was disposed.

The approval level on the transactions A11-A14 is set to a level 6. The level 6 indicates the transaction may have CAFR impact, and Reporting and Review should be notified.

Depending on the fund type, FAS will generate either a STARS governmental fund transaction code or a proprietary fund transaction code to record the asset in the appropriate STARS general ledger account. These transactions will generate when the asset has a capitalization indicator of 'S' (statewide capitalized asset) and the successful posting of the FAS TC A11-A14.

The FAS generated transaction code for governmental funds is 8GJ – DONATIONS – ERRORS OUT RESET TO 8GQ. The 8GJ transaction will generate a transaction that will be updated to post to fund 0700 in STARS. Any fund details will drop off the transactions before they are sent to STARS.

The FAS generated transaction code for proprietary funds is 8FJ – DONATIONS – ERRORS OUT RESET TO 8FQ. The 8FJ will generate a transaction that will update to the applicable proprietary fund in STARS. These transactions will support the posting to the fund detail.

Regardless of the fund type on the asset record, the transactions will be in an 'F' batch. The 8GJ for governmental funds, and the 8FJ for proprietary funds will purposely error when they are sent from FAS to STARS. The error message will reflect an end-date on the transaction code.

Personnel from Accounting Operations will correct the 'F' batch by updating the transactions with NEW transaction codes 8GQ – DONATIONS – DR ASSET & CR GAAP REV – GOV (governmental) and 8FQ – DONATIONS – DR ASSET & CR GAAP REV (proprietary) and entering a proper revenue subobject. One of the following STARS revenue subobject codes will be used when updating the 8GQ and 8FQ transactions in STARS:

Subobject	Title
2070	Federal Capital Grants & Contributions
2170	State Capital Grants & Contributions
2270	City/county Capital Grants & Contributions
3614	Other Capital Grants & Contributions

TRANSACTION CODES AND T – ACCOUNT EXAMPLES

The transaction codes required to post an acquisition of an asset by donation directly entered into FAS are described below. Following this list, the results of the postings are illustrated in t-account examples

1. FAS TC A11-A14 – RECORD THE ACQUISITION BY DONATION – Enter transactions in FAS data entry screen 35. These transactions will update the Property File and generate a STARS TC for capitalized assets. For non-capitalized assets no transactions will be sent to STARS.
2. FAS generated transaction codes are compiled in an ‘F’ batch sent to STARS.
 - a. STARS TC 8GJ –DONATIONS – ERRORS OUT RESET TO 8GQ. This governmental fund transaction will error because of a STARS edit on the transaction code end-date.
 - b. STARS TC 8FJ –DONATIONS – ERRORS OUT RESET TO 8FQ. This proprietary fund transaction will error because of a STARS edit on the transaction code end-date.
3. STARS – Accounting Operations Updates the Erred ‘F’ batch.
 - a. Correct erred transactions for governmental fund 0700 with STARS TC 8GQ – DONATIONS – DR ASSET & CR GAAP REV – GOV. Update the transactions with this transaction code and enter a proper revenue subobject.
 - b. Correct erred transactions for proprietary funds with STARS TC 8FQ – DONATIONS – DR ASSET & CR GAAP REV. Update the transactions with this transaction code and enter a proper revenue subobject.

The following example illustrates the posting of these transactions. Assume that a large computer manufacturer donated a personal computer to a state agency. The computer has an estimated FMV of \$5,500. The asset must be entered directly into FAS data entry screen 35. Management decided the value of the donated asset would be split between fund 0450-05 (proprietary) and fund 0001 (governmental).

FAS PROPERTY FILE		
1. TC A14	Post to the Property File original amount \$5,500	
	Post to the Property File funding sources:	
	Fund 0001	\$2,500
	Fund 0450 05	\$3,000
FAS generates transaction codes by fund type to update to STARS in an ‘F’ batch. All governmental fund transactions will post to STARS governmental fund 0700.		

STARS GENERAL LEDGER	
STARS – ‘F’ batch with FAS generated TC errors	
2.a	STARS TC 8GJ – DONATIONS – ERRORS OUT RESET TO 8GQ for governmental funds (0700) will have to be manually updated by Accounting Operations.
2.b	STARS TC 8FJ – DONATIONS – ERRORS OUT RESET TO 8FQ for proprietary funds will have to be manually updated by Accounting Operations.

In STARS, Accounting Operations will update the ‘F’ batch with new TCs and revenue subobjects. Once the batch is released, the following GLs will be updated:

FUND 0700 – GOVERNMENTAL FUND GROUP

Asset – GL by asset class (1750 Mach. & Equip.)			GAAP Revenue – GL 4500			
3.a	TC	\$2,500		3.a	TC	\$2,500
	8GQ				8GQ	

FUND 0450 05 – PROPRIETARY

Asset – GL by asset class (1750 Mach. & Equip.)			GAAP Revenue – GL 4500			
3.b	TC	\$3,000		3.b	TC	\$3,000
	8FQ				8FQ	

At year-end closing, the impact in GRS for financial reporting will be:

Record the asset at FMV and record revenue:

Asset

GAAP Revenue

DONATION WITH SUBSTANTIVE ANCILLARY COSTS

Donations with substantive ancillary costs are rare; however, this section will demonstrate the process of accounting for such events.

In STARS general ledgers (GL), it is important that current year (budgetary) costs are kept separate from the recording of revenue from donations. Current year costs (expenditures) should flow through GL – 4200 *Expenditures* and GL - 4600 *GAAP Expense*. The recording of the revenue generated from the donation should flow through to GL - 4500 *GAAP Revenue* and the asset GL for the class of asset, for example, GL - 1750 to record Machinery and Equipment.

Currently there is not an automated process that can accomplish this process. Therefore, the process must be done manually.

To illustrate this manual process, consider the following events:

- A vehicle is donated to State Police from a local dealer with a FMV of \$25,000
- State police converts the vehicle into a police cruiser for \$10,000
- The \$10,000 will originate in STARS and will generate a transaction code A04 - Record the Purchase of Machinery and Equipment - from STARS in the Hold File
- Now the asset has a value of \$35,000

To record the asset, expenditure, and the revenue properly, use the following steps:

1. In FAS, enter the asset on screen 35 with transaction code A14 – RECORD THE ACQUISITION OF MACHINERY AND EQUIPMENT BY DONATION at FMV plus ancillary costs, which would be \$35,000 (\$25,000 + \$10,000).
2. In the FAS Hold File, delete the A04 transaction for \$10,000.
3. In STARS the FAS generated transactions will error, and will have to be updated. The FAS generated transactions for governmental funds is 8GJ – DONATIONS – ERRORS OUT RESET TO 8GQ. The FAS generated transaction for proprietary funds is 8FJ – DONATIONS – ERRORS OUT RESET TO 8FQ. Regardless of fund type, the transactions will compile into an ‘F’ batch. The amount of the transactions should equal \$35,000 for this asset.
4. Accounting Operations will have to update the transactions as follows:
 - a. **To book the asset and revenue** – Update the 8GJ and 8FJ transactions to 8GQ and 8FQ, so that the total is equal to \$25,000. The *revenue subobject* will have to be manually entered. The 8GQ and 8FQ transactions will debit the asset and credit GAAP revenue.
 - b. **To offset the current year expenditure and book the asset** – Add/update the transaction codes with transaction codes 8GD (governmental) and 8FD (proprietary) for \$10,000. The *expenditure subobject* will have to be manually entered. The 8GD and 8FD transactions will debit asset and credit GAAP expense.

REPAIRS AND IMPROVEMENTS

Repairs and improvements made to an asset made in the current year are considered to be monetary. You can follow the same process as a current year acquisition.

Repairs and Improvements (FPAC Policy)

(Including remodels) to an existing capital asset that extend the useful life of the asset, improve its capacity or efficiency, or significantly reduce operating costs should be capitalized if the costs are \$5,000 or more. Costs under \$5,000 are expensed and not tracked in the capital asset system.

Routine repairs and maintenance that help an asset maintain the original useful life are expensed regardless of cost.

It is recommended to use incremental component numbers on the original asset's property number. This will help track improvements to assets on reports and online inquiries by property number.

Setting Useful Life for an Improvement (FPAC Policy)

When entering a useful life for an improvement, the useful life of the original asset needs to be considered. The general rule is that the improvement is depreciated over the shorter of the improvement's useful life or the original asset's remaining useful. It may be necessary to increase the original asset's useful life if it is anticipated that the improvement will extend the useful life of the original asset. If the original asset is at the maximum of the range and accordingly cannot be changed, record the improvement at its anticipated useful life.

PRIOR YEAR PURCHASE

OVERVIEW OF THE PROCESS

It may be necessary to book a prior year purchase or a prior year correction directly into FAS. Prior year corrections should be made after an asset has been disposed of for correction purposes.

A prior year adjustment can occur for several reasons. For example, the original amount may need to be adjusted to reflect an adjustment in STARS, or the record was posted with incorrect information. These assets must have a prior year in-service date to qualify for this process. (See the Adjustment/Correction section of this document for more information on the disposal for correction process.) Another common scenario for prior year acquisitions is if an agency discovers that an asset is not booked in FAS.

These transactions are entered directly into FAS data entry screen 35 using FAS TCs AT1-AT4 ADD - AN ASSET - CORRECTION - PRIOR YEAR PURCHASE. If the same property number is used to re-enter the asset, the component number will have to change.

A current date must be entered in the ADT Date (acquisition/disposition/transfer date), and the date the asset was placed in service should be entered in the INSERV Date (in-service date). The correct ADT AMT (acquisition/disposition/transfer amount) should be entered to reflect the original purchase price plus any adjustments or corrections.

Expenditure funding information will have to be entered manually on the FAS funding source screens. FAS will retain the identity of the funding sources on the FAS Funding Source Screen, and the FAS Optional Funding Source Screen, if any data is entered on this screen. Optional funding source information, e.g., PCA, index, etc., is not required on these transactions.

FAS-GENERATED-TO-STARS ACCOUNTING TRANSACTIONS

For Acquisitions – Prior Year Adjustments (*for statewide capitalized assets only*)
(Note: FAS Control Report DAFR4581 and DAFR4582 Supports This Detail)

FAS				STARS General Ledger & Operating File				
TC / S35	FUND	DT	CI	TC	FUND	DT	GL-DR	GL-CR
AT1	Governmental	Detail	S	8GA	0700		1701	3002
AT2	Governmental	Detail	S	8GA	0700		1710	3002
AT3	Governmental	Detail	S	8GA	0700		1730	3002
AT4	Governmental	Detail	S	8GA	0700		1740	3002
AT1	Proprietary	Detail	S	8FA	Proprietary	Detail	1701	3002
AT2	Proprietary	Detail	S	8FA	Proprietary	Detail	1710	3002
AT3	Proprietary	Detail	S	8FA	Proprietary	Detail	1730	3002
AT4	Proprietary	Detail	S	8FA	Proprietary	Detail	1740	3002

FAS transactions directly entered in FAS use data entry screen **S35**.

The FAS generated transaction code for governmental funds is 8GA DEBIT ASSET & CREDIT INVESTED IN ASSETS – 0700. The 8GA transaction will generate a transaction that will update fund 0700 in STARS. These transactions will not post to the fund detail.

The FAS generated transaction code for proprietary funds is 8FA DEBIT ASSET & CREDIT INVESTMENT IN CAPITAL ASSET. The 8FA will generate a transaction that will update to the applicable expending proprietary fund in STARS. These transactions will post to the fund detail.

FISCAL YEAR END CROSSOVER: PURCHASED IN JUNE - POSTED IN JULY

Purchases processed in STARS for one fiscal year and entered in FAS the next fiscal year will have a fiscal year crossover accounting impact. This happens when the Hold File is not cleaned out at the end of the year.

FAS closes July 1st, and remains closed for approximately two weeks to capture proper accounting for the CAFR (Comprehensive Annual Financial Report). Agencies making capital purchases the last day of the fiscal year are denied access to process their FAS Hold File records until the next fiscal year. These transactions will impact the CAFR (Comprehensive Annual Financial Report), so closing packages and adjustments may be needed.

Therefore, agencies are encouraged to process capital asset purchases by June 25. In April, the Bureau of Accounting Operations will remind agencies of processing deadlines in a FYE schedule.

STARS purchases in fiscal year one (e.g., FY04) extract to the FAS Hold File with transaction codes A01-A04 RECORD THE PURCHASE OF AN ASSET - FROM STARS.

Follow this procedure for any fiscal year *one* TC A01-A04's in the Hold File when FAS reopens in mid-July

1. Determine if the asset needs to be added to FAS. If it does not need to be added to FAS, delete the record from the Hold File. If it does need to be added to FAS, continue with these instructions.
2. For ease of re-entry, SCO recommends printing a hard copy of the S033 screen, the multiple funding source screen, and possibly the optional funding source screen.
3. Re-enter the asset (if necessary) using the S035 – FAS Direct Data Entry.
 - a. Use the appropriate AT1-AT4 FAS TC ADD – ASSET – CORRECTION – PRIOR YEAR PURCHASE.
 - b. Use a July ADT Date.
 - c. Use the date the asset was placed in service in the prior year as the **in-service date**.
 - d. Enter all other necessary information for the selected FAS TC.
 - e. Have the AT1-AT4 transaction released by SCO.

TRANSACTION CODES AND T-ACCOUNT EXAMPLES

The transaction codes that are required in order to post a prior year purchase directly into FAS are as follows:

1. FAS TC AT1-AT4 – Enter transactions in FAS Data Entry Screen 35. These transactions will update the Property File and generate STARS TC for capitalized assets.
2. STARS TC 8GA – To update governmental fund 0700 that will debit asset and credit invested in capital assets.
3. STARS TC 8FA – To update the expending proprietary fund that will debit asset and credit invested in capital assets.

The following T-account examples will illustrate the posting of these transactions. Assume that the agency discovers that a \$20,000 computer server is not posted to the Property File. The server is a capitalized asset purchased with \$15,000 from fund 0450-05 (proprietary), and \$5,000 from fund 0001 (governmental).

FAS PROPERTY FILE		
1. TC AT4	Post to the Property File original amount \$20,000	
	Post to the Property File funding sources:	
	Fund 0001	\$5,000
	Fund 0450 05	\$15,000
FAS generates TCs by fund type to update to STARS in an 'F' batch. All governmental fund transactions will post to STARS governmental fund 0700.		

STARS GENERAL LEDGER

FUND 0700 – GOVERNMENTAL FUND GROUP

Asset – GL by asset class (1750 Mach. & Equip.)

Invested in Capital Assets – GL 3002

2.	TC	\$5,000		2	TC	\$5,000
	8GA				8GA	

FUND 0450 05 - PROPRIETARY

Asset – GL by asset class (1750 Mach. & Equip.)

Invested in Capital Assets – GL 3002

3.	TC	\$15,00		3.	TC	\$15,000
	8FA	0			8FA	

At year-end closing the Asset and the Invested in Capital Assets will reflect a prior year activity booked in the current year, so the impact for GRS financial reporting will be:

Record a Prior Year Purchase:

Asset

Invested in Capital Assets

CAPTIAL LEASES

Capital leases are those that are, in substance, a purchase. However, in FAS, the assets are valued at cost and should not be depreciated using FAS automated depreciation. Capital leases are recorded in FAS as inventory regardless of cost. Capital leases recorded in FAS must have an OWNERSHIP code 'L'.

Capital lease information for CAFR reporting is captured in annual closing packages submitted by agencies. For information on capital leases and Capitalized Lease GAAP Closing Package you can contact the Division of Statewide Accounting – Bureau of Reporting and Review or review the FPAC policy for capital leases.

[Click here for a more information on statewide reportable assets](#), or refer to the FPAC policies from the SCO website.

CONSTRUCTION IN PROGRESS (CIP)

DEPARTMENT OF PUBLIC WORKS (CIP)

Agencies should not record construction in progress as a completed capital asset until the agency has received a Project Completion Statement that indicates to record the asset. Even though an agency may be occupying the constructed building, the construction project is carried as an asset of the Department of Administration until the Project Completion Statement is sent to the agency.

Not all Project Completion Statements are for capital assets. The Statement will indicate which projects should be recorded

An exception to this policy is for joint Department of Public Works and college and university *construction in progress* projects. For these types of joint construction projects, the colleges and universities will report to SCO and the Department of Administration through annual closing packages the amount that they are reporting for *construction in progress* in their financial statements to insure proper reporting in the CAFR.

AGENCY (CIP)

End-dates of 07/01/2004 are in place on FAS construction-in progress transaction codes W01, W02, W03, and W04.

Transactions initiated in STARS meeting the criteria to generate WIP transaction codes to FAS will still process to the Hold File. The transactions will be in error status in the Hold File and the agency will have to contact the [DSAHelpline](#) for further guidance.

Transactions W02 and W03 cannot be directly entered into FAS. Anyone wishing to use these transaction codes will need to contact the SCO [DSAHelpline](#) to allow access.

ACCOUNTING FOR NON-MONETARY ACQUISITIONS

ACCOUNTING FOR SUBSTANTIVE ANCILLARY COSTS

In STARS general ledgers (GL), it is important that current year (budgetary) costs are kept separate from the recording of revenue from donations. Current year costs (expenditures) should flow through GL – 4200 *Expenditures* and GL – 4600 *GAAP Expense*.

The recording of the revenue generated from the donation should flow through to GL – 4500 *GAAP Revenue* and the asset GL for the class of asset, for example, GL 1750 to record Machinery and Equipment.

Example:

- A vehicle with a FMV of \$25,000 is donated to the State Police.
- State Police spends \$10,000 to convert the vehicle into a Police Cruiser.
- The \$10,000 will originate in STARS and will generate a TC A04 – *Record the Purchase of Machinery and Equipment from STARS* in the Hold File
- Now the asset has a value of \$35,000

To record the asset, expenditure, and the revenue properly, use the following steps:

1. In FAS, enter the asset on FAS Direct Data Entry screen 35 with FAS TC A14 – RECORD THE ACQUISITION OF MACHINERY AND EQUIPMENT BY DONATION at FMV plus ancillary costs, which would be \$35,000 (\$25,000 + \$10,000).
2. In the FAS Hold File, delete the A04 transaction for \$10,000.

3. In STARS, the FAS generated transactions will error and will have to be updated. The FAS generated transactions for governmental funds is 8GJ – DONATIONS – ERRORS OUT RESET TO 8GQ. The FAS generated transaction for proprietary funds is 8FJ – DONATIONS – ERRORS OUT RESET TO 8FQ. Regardless of fund type, the transactions will compile into an 'F' batch. The amount of the transactions should equal \$35,000 for this asset.
4. Personnel from Accounting Operations will have to update the transactions as follows:
 - a. **To book the asset and revenue** – Update the 8GJ and 8FJ transactions to 8GQ and 8FQ, so that the total is equal to \$25,000. The *revenue subobject* will have to be manually entered. The 8GQ and 8FQ transactions will debit the asset and credit GAAP revenue.
 - b. **To offset the current year expenditure and book the asset** – Add/update the transaction codes with TRANSACTION CODEs 8GD (governmental) and 8FD (proprietary) for \$10,000. The *expenditure subobject* will have to be manually entered. The 8GD and 8FD transactions will debit asset and credit GAAP expense.

At year-end closing, the financial reporting impact will be:

Record the asset at FMV plus ancillary cost:

Asset	\$35,000	
Cash		\$10,000
GAAP Revenue		\$25,000

TRANSFERS

Transferring an asset between agencies simply means that one agency sends an asset to another agency. The agency transferring the asset out is referred to as the "transfer out" agency and the agency receiving the asset is referred to as the "receiving agency". Usually agencies make **non-monetary** transactions.

The book value of the asset is an important factor in determining how to record the transaction. If the book value of the asset is less than \$5,000, the agency transferring will treat the transaction as a disposition, e.g., a donation or scrap, using one of the transaction codes DD1 through DD4, depending on the class of asset. The receiving agency can enter the acquisition by whatever method seems appropriate, probably using one of the transaction codes A11 through A14.

If the book value of the asset is \$5,000 or more, both agencies should contact the [DSA Helpline](#) for assistance and have the following information ready:

- Contact name and phone number of the transfer out agency
- Property and component number
- Name of the receiving agency
- Date that the transfer process will begin